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R 181022Z APR 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 6447
INFO AMEMBASSY ALGIERS
AMEBASSY BEIRUT
AMEMBASSY DHAHRAN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY TEHRAN
AMEMBASSY BENGHAZI

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Tripoli 769 4/18/70

C O N F I D E N T I A L TRIPOLI 0769

SUBJ: OIL NEGOTIATIONS

1. RCC DECREE DATED APRIL 14 DESIGNATES NEW COMMITTEE RESPONSIBLE FOR OIL NEGOTIATIONS, SUPERSEDING MINISTRY PETROLEUM AND MINERALS PRICE COMMITTEE WHICH OPENED POSTED PRICE TALKS IN JANUARY. DECREE AUTHORIZED COMMITTEE TO NEGOTIATE AND CONCLUDE AGREEMENTS WITH CONCESSIONAIRES, SUBJECT TO RCC (NOT COUNCIL OF MINISTERS) APPROVAL. WHILE DECREE EMPHASIZES NEGOTIATING PRICE AGREEMENT, COMMITTEE'S TERMS OF REFERENCE ARE OPEN ENDED. COMMITTEE AUTHORIZED ASSISTANCE OF TECHNICAL ADVISORS IN PREPARING STUDIES AND RECOMMENDATIONS. COMMITTEE IS TO SUBMIT ITS RECOMMENDATIONS TO RCC AND TO IMPLEMENT RCC'S DECISIONS. TEXT OF DECREE FOLLOWS BY AIRGRAM.

2. COMMITTEE MEMBERSHIP AS FOLLOWS:

MAHMUUD MAGHRABI, CHAIRMAN (ALSO PRIMIN AND FINMIN SEPT 8, 1969).

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JANUARY 15, 1979).

UMARI MUNTASIR, MEMBER (FORMERLY DIR GEN ECONOMIC AFFAIRS, MINISTRY PETROLEUM AND MINERALS, AND CHAIRMAN MINISTRY'S PRICE COMMITTEE; SINCE MARCH 29, DEPUTY DIRGEN, LIBYAN NATIONAL OIL CO.);

ABD ALHAY BIN UMRAN, MEMBER (DIRGEN TECHNICAL AFFAIRS, MINISTRY OF PETROLEUM AND MINERALS, AND MEMBER FORMER PRICE COMMITTEE).

3. COMMENT: UNHERALDED ANNOUNCEMENT OF NEW NEGOTIATING COMMITTEE UNDERCUTS MINPET MABRUUK BY REMOVING CURRENT PRICE NEGOTIATIONS FROM MINISTRY'S CONTROL AND ESTABLISHING RIVAL, IF NOT SUPERIOR, OIL POLICY BODY. ANNOUNCEMENT FOLLOWED MINISTER'S DEPARTURE FOR ALGIERS, FROM WHERE HE HAS NOT YET RETURNED.

4. ESSO, WHICH HAS LED NEGOTIATIONS ON COMPANY SIDE, INTERPRETS MOVE AS LOGICAL STEP AND BELIEVES IT NOW WILL BE DEALING WITH THOSE HAVING AUTHORITY TO COMMIT RCC. PUBLIC STATEMENT ON APRIL 14 BY COMPANY PRESIDENT WYNNE, ACKNOWLEDGING THAT ESSO HAD INFORMED MINPET OF WILLINGNESS TO RESPOND TO LARGS DEMAND FOR POSTED PRICE INCREASE, AS WELL AS TO OFFER ASSURANCES ON OTHER ISSUES RAISED BY RCC PRESIDENT QADHAAFI IN HIS JAN 29 STATEMENT TO COMPANY MANAGERS (TRIPOLI 212) SERVED BOTH TO CLARIFY MISLEADING REPORTS WHICH FOLLOWED QADHAAFI VISIT TO ESSO'S EXPORT TERMINAL, THAT ESSO "HAD AGREED TO ALL POINTS RAISED BY COL. QADHAAFI" IN JAN AND TO SIGNAL NEW COMMITTEE ESSO IS READY TO TALK SERIOUSLY.

5. COMMITTEE'S AUTHORIZATION IS BROAD ENOUGH FOR IT TO NEGOTIATE ENTIRE RANGE OF OIL INDUSTRY PROBLEMS, AND SPECIFIC LINK TO RCC PROVIDES CREDIBILITY WHICH PETROLEUM MINISTRY LACKS UNDER NON-RCC LEADERSHIP. AS PRICE NEGOTIATIONS HAVE PROGRESSED, IT HAS BECOME CLEAR LARG INTERESTED IN MORE THAT POSTED PRICE INCREASE. AT MINIMUM, IT SEEKS QUICK PROGRESS TOWARD LIBYANIZATION OF INDUSTRY AND ACCEPTANCE OF GOVERNMENT STANDARDS FOR INDUSTRY INSTALLATIONS AND OPERATIONS RANGING FROM FIELD CAMP FACILITIES TO OPTIMUM RESERVOIR PRODUCTION RATES--GOALS WHICH ELUDED OLD REGIME. FOR THEIR APRT, COMPANIES SEEK QUID PRO QUO FOR PRICE INCREASE, SUCH AS ACCOMMODATION ON REGULATIONS (CONSERVATION AND OIL FIELD PRACTICE) AND ASSURANCES ON OPERATIONAL PROBLEMS SUCH AS ISSUANCE OF WORK PERMITS TO NECESSARY FOREIGN EMPLOYEES. NEW COMMITTEE APPEARS TO HAVE AUTHROITY TO ASSEMBLE THESE COMPONENTS INT PACKAGE SETTLEMENT WHICH WOULD ESTABLISH FRAMEWORK FOR VIABLE LARG-COMPANY RELATIONS

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THAT IS NOW LACKING.

4. APPOINTMENT OF MAGHRABI TO HEAD NEGOTIATING COMMITTEE CONFIRMS RECENT COMPANY REPORTS THAT HE IS KEY ADVISER TO RCC ON OIL AFFAIRS. MAGHRABI'S RESURGENT INFLUENCE IS SOMEWHAT DISTURBING BECAUSE OF HIS ANTI-AMERICANISM, NURTURED BY PALESTINE ISSUE, AND HIS CONCEPT OF CONCESSION AGREEMENTS AS ADMINISTRATIVE CONTRACTS SUBJECT TO UNILATERAL CHANGE BY GOVERNMENTS AS JUSTIFIED BY CHANGING CIRCUMSTANCES. MAGHRABI'S VIEWS ON OIL POLICY WHILE PRIMIN (ACCELERATED LIBYANIZATION, TIGHTER GOVERNMENT CONTROL OVER COMPANIES AND EXPANDING ROLE FOR NATIONAL OIL COMPANY--SEE TRIPOLI 2520) SEEM TO FIT PRESENT LARG OBJECTIVES. HOW VIGOROUSLY HE WILL PURSUE THEM WILL BE REVEALED DURING NEGOTIATIONS--WHICH ARE LIKELY TO BE LENGTHY AND, AT TIMES, TENSE. GP.4.
PALMER

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